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CANADIAN BREWERIES LIMITED • ANNUAL REPORT 1969





Pure clear water, the best barley grown
and aromatic hops, combined with
centuries of brewing skills, produce beer
that is second to none in the world.

CANADIAN BREWERIES LIMITED

ANNUAL REPORT 1969

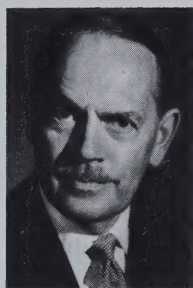
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Les actionnaires qui préféreraient recevoir leur rapport en français sont priés d'en aviser le Secrétaire de Canadian Breweries Limited.

Directors



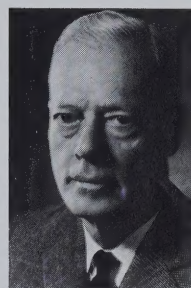
JOHN H. DEVLIN, TORONTO
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER
CANADIAN BREWERIES LIMITED



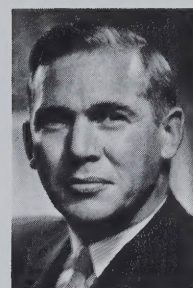
SIR FRANCIS DE GUINGAND,
K.B.E., C.B., D.S.O.,
LONDON, ENGLAND
FORMERLY CHAIRMAN
CARRERAS LIMITED



JOHN LADD DEAN, CLEVELAND
PARTNER—HAHN, LOESER,
FREEDHEIM, DEAN & WELLMAN



CHARLES F. W. BURNS,
KING CITY, ONT.
CHAIRMAN
BURNS BROS. AND DENTON LIMITED



JOEL W. ALDRED, TORONTO
PRESIDENT
JOEL W. ALDRED LIMITED



PAUL J. ERASMUS, TORONTO
PRESIDENT
CANADIAN BREWERIES LIMITED

Officers

*Chairman of the Board and
Chief Executive Officer*

President

Executive Vice President

Vice President Operations

Vice President Sales

Vice President Advertising

Vice President Brewing

Vice President Eastern Canada

Vice President Manufacturing Services

Vice President and Secretary

Vice President and Treasurer

Vice President and Comptroller

JOHN H. DEVLIN

PAUL J. ERASMUS

E. NORRIS DAVIS

FREDERICK L. HOVEY

JAMES R. TAYLOR

DAVID S. BROOME

LESLIE C. JESSOP

DAVID J. ROCHE

R. ROSS SERVICE

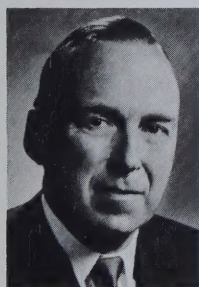
W. EDWARD DREWRY

JOHN D. FRASER

DONALD K. MARQUIS



SHELDON S. WILSON,
BEVERLY HILLS, CALIFORNIA
DIRECTOR OF COMPANIES



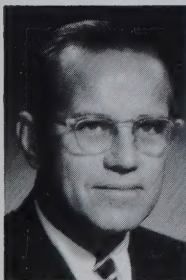
A. SEARLE LEACH, WINNIPEG
CHAIRMAN
FEDERAL GRAIN LIMITED

Honorary Director

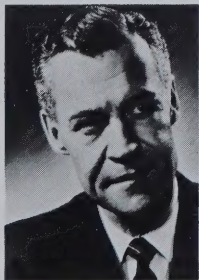
J. INNES CARLING, O.B.E., London, Ontario
Formerly Director of Canadian Breweries Limited



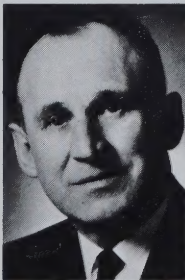
H. ALAN WALKER,
LONDON, ENGLAND
CHAIRMAN
BASS CHARRINGTON LIMITED



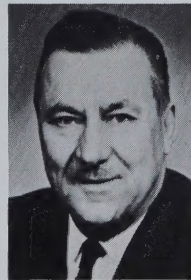
HENRY E. RUSSELL,
CHAGRIN FALLS, OHIO
PRESIDENT
CARLING BREWING COMPANY
INCORPORATED



RENAULT ST-LAURENT, Q.C., LL.D.,
QUEBEC, P.Q.
PARTNER—ST-LAURENT, MONAST,
DESMEULES & WALTERS



JOHN E. SHAFFNER,
PORT WILLIAMS, N.S.
FORMERLY PRESIDENT
M. W. GRAVES & CO. LTD.



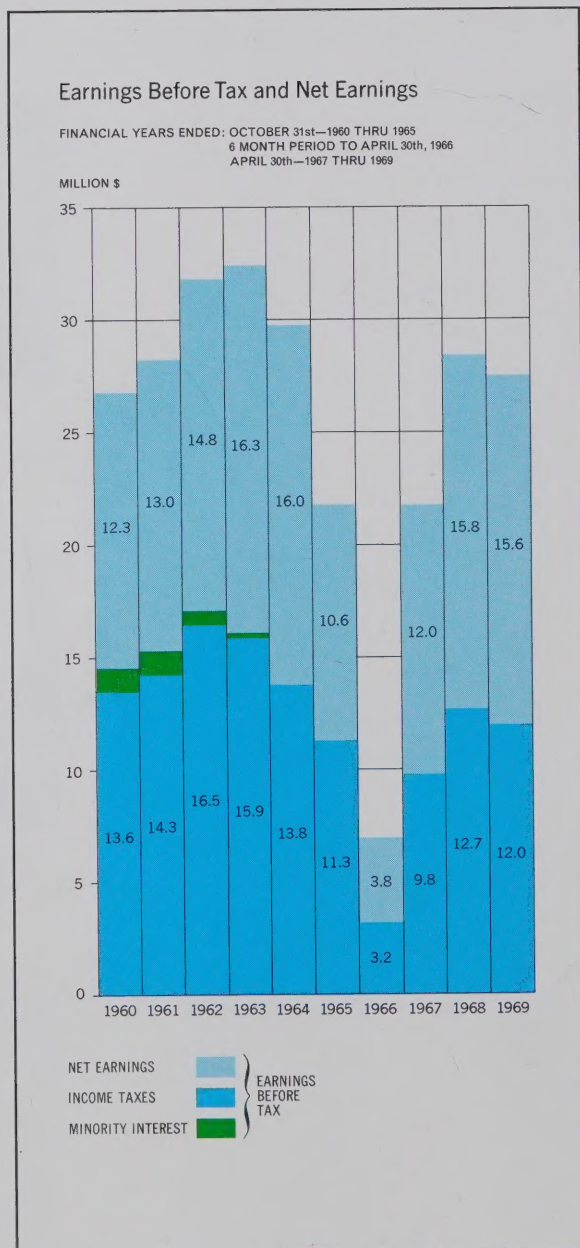
GEORGE C. SOLOMON, REGINA
PRESIDENT
WESTERN TRACTOR LIMITED



WILMAT TENNYSON, TORONTO
PRESIDENT
ROTHMANS OF FALL MALL
CANADA LIMITED

Directors' Report

The results for the year under review were not satisfactory. While the dollar value of sales increased, the barrel volume of beer sales declined.



FINANCIAL YEARS ENDED APRIL 30	1969	1968	INCREASE (DECREASE)
SALES:			
Thousand Barrels	9,330	9,400	(0.7%)
Dollars	\$387,171,580	\$376,920,998	2.7%
EARNINGS:			
Before Taxes	26,642,575	27,676,437	(3.7%)
Net Before Extraordinary Items	14,668,575	14,950,437	(1.9%)
Net After Extraordinary Items	15,589,471	15,791,633	(1.3%)

Net earnings were also lower than the previous year.

Marketing

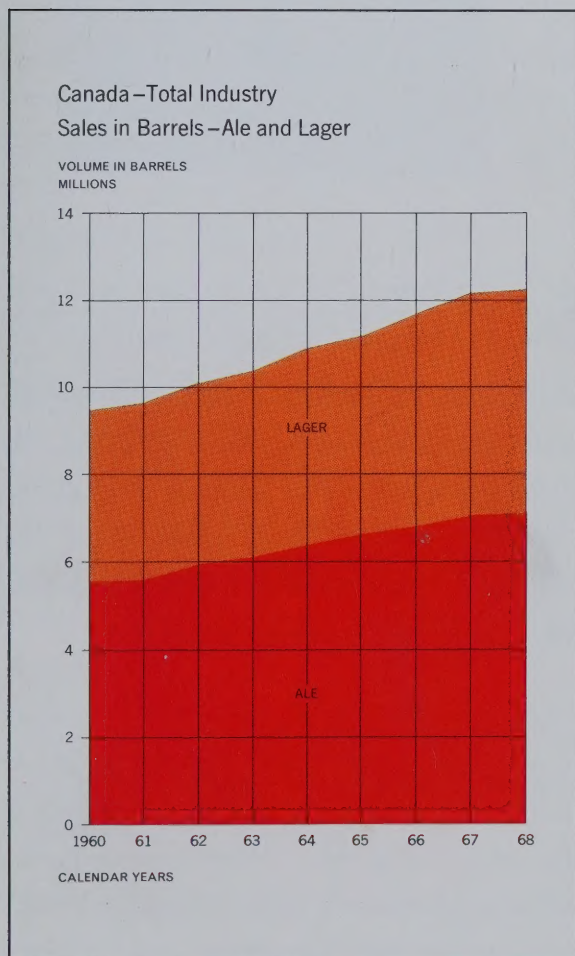
Your Company's beer sales in Canada decreased by 245,000 barrels or 5.5 percent. Contributing to this decline was the strike in Ontario that closed down major brewers from June 20 to July 18, 1968. However, your Company also continued to lose share of the over-all Canadian market.

A considerable amount of work has gone into the advertising themes and labels of your Company's brands. The launch of new trademarks on the Canadian market is also being considered.

The sales of your Company's U.S. subsidiary, Carling Brewing Company Incorporated, increased by 175,000 barrels or 3.7 percent, nearly maintaining its share of the over-all U.S. market. There are signs that this Company's continuous market share decline since 1963 has been arrested. Present indications are that the market share in the current fiscal year may increase.

Contributing towards the improved sales in the U.S.A. is the new "keg" bottle for Carling Black Label, Heidelberg and Stag. The Company has also launched Heidelberg Light Pilsener in Atlanta and in Washington and is currently test-marketing the brand in six other markets. Heidelberg Light Pilsener will sell at a premium price and, if this brand should prove successful, it could materially improve the Company's earnings position.

Total Canadian industry beer sales for the fiscal year ended April 30, 1969 increased by 1 percent or 119,000 barrels compared to the previous year.

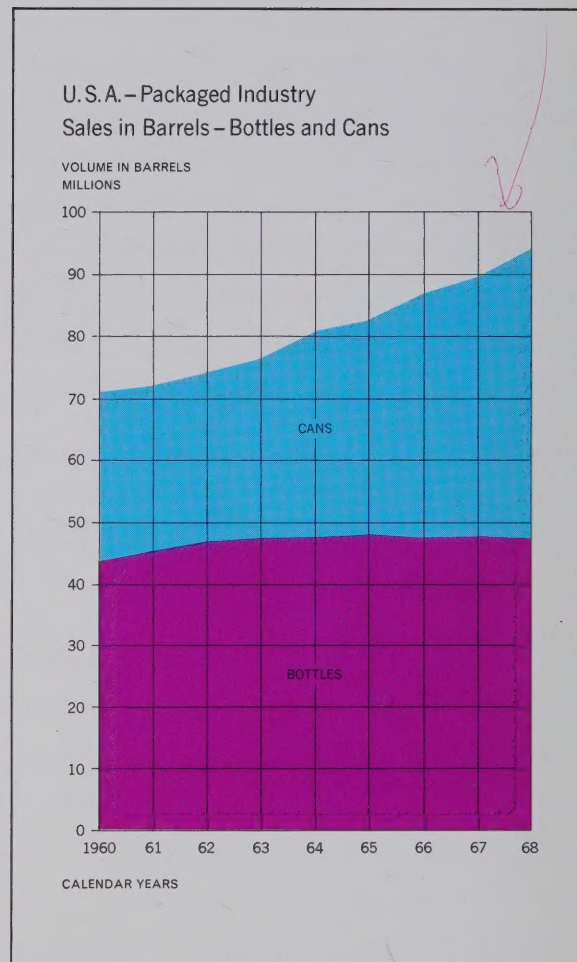
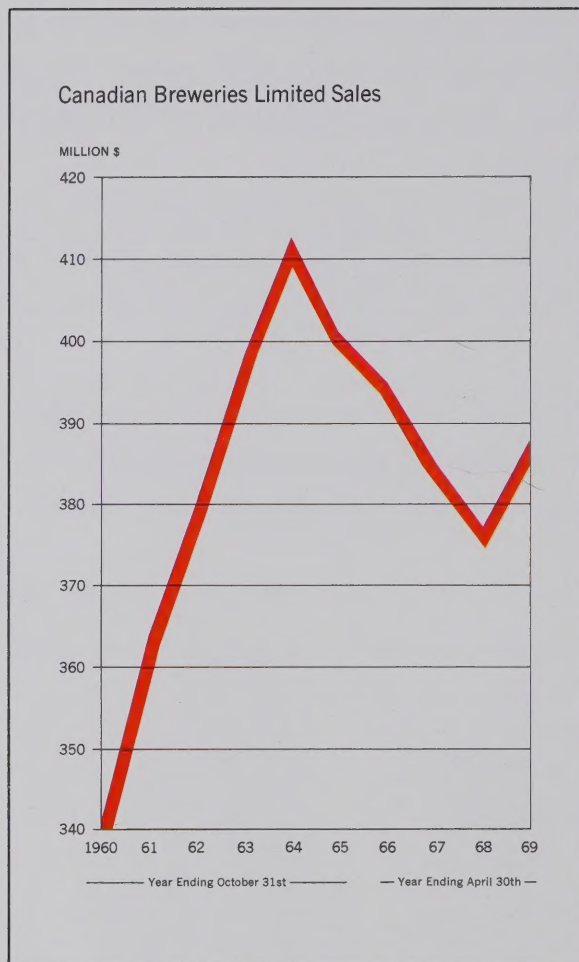


Unlike the beer market in the U.S.A., cans in Canada represent only a small portion of total sales. The current breakdown of beer sales in Canada is:

Bottles	78.1%
Cans	2.2%
Draught	19.7%

The breakdown of ale and lager as a percentage of the over-all Canadian market varies from Province to Province as the following table illustrates:

Percent of Total Market	Calendar 1968		Calendar 1967	
	Ale	Lager	Ale	Lager
British Columbia	1.7	97.9	1.7	97.8
Saskatchewan	3.8	95.3	2.6	96.5
Alberta	2.7	96.8	2.8	96.6
Manitoba	2.8	96.8	2.7	96.9
Ontario	62.7	36.8	63.1	36.4
Quebec	96.4	2.6	96.3	2.7
Nova Scotia	79.6	19.9	80.6	18.8
New Brunswick	63.1	36.6	67.6	32.1
Prince Edward Island	48.3	51.3	57.3	42.3
Newfoundland	33.0	67.0	37.2	62.8
Total Market	58.1	41.3	58.1	41.2



Total volume of beer sold in the U.S.A. during your Company's fiscal year under review increased by 4.9 percent to 113 million barrels compared to 107.7 million barrels in 1968.

The trend to beer sold in cans continues. The U.S.A. beer market is almost entirely a lager market.

Manufacturing

During the year, your Company's brewery in Quebec City was closed. Production from the O'Keefe Winnipeg brewery and from the Carling Windsor brewery is being relocated in other avail-

able plants and the former manufacturing facilities will become redundant. Some time ago, the Company announced its intention to phase out the operations of its Ottawa brewery in late 1969 or early 1970 and a decision will be made on the final date by mid-September of this year.

The combined saving as a result of these measures is estimated at \$2,850,000. The full benefit of these savings will, of course, not be reflected in the current fiscal year. There are always additional costs incurred in the re-organization of production. Your Company also has a very

generous policy of severance allowance payable to employees who are displaced as a result of plant rationalization.

Needed production capacity to achieve consolidation of the above facilities is being provided in the current fiscal year through \$14,500,000 capital expenditures to modernize and increase production facilities in other Canadian plants.

Capital expenditure for the U.S.A. breweries is estimated at \$7 million to bring the total capital expenditure budget for the year ending April 30, 1970, to \$21.5 million.

After the rationalization measures outlined above, your Company in North America will have a combined capacity of approximately 13 million barrels.

Investments and Other Assets

The Company's investment in assets other than brewing operations in North America is currently being thoroughly reviewed with a view to improving the yields both short term and long term. It is felt, however, that the first priority of management in the next few years must be directed at improving the earnings from brewing in North America. There are thus no immediate plans for diversification.

A detailed schedule of investments and other assets is shown on page 17 in the financial section of this report.

Mr. J. G. Campbell resigned as President on June 30, 1969. Mr. P. J. Erasmus, former Vice President

Finance of Rothmans of Pall Mall Canada Limited, succeeded Mr. Campbell.

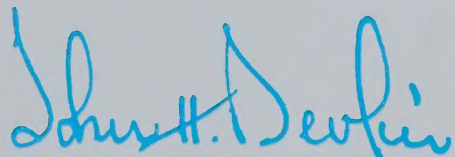
Mr. Paul Desmarais resigned as a Director on December 6, 1968, and Mr. H. Alan Walker, Chairman of Bass Charrington Limited, London, England, was elected on May 15, 1969, to fill this vacancy on the Board.

There was a re-alignment of the Board structure following the acquisition by the Rothmans Group in June of approximately 50 percent of the Common shares in your Company. The following Board members resigned on August 6, 1969: Mr. J. Brillant, Mr. J. G. Campbell, Mr. M. A. East, Dr. W. C. MacKenzie, Mr. J. C. Mayne, Mr. A. M. McGavin, Mr. D. A. McIntosh, Mr. G. E. Sharpe and Mr. E. P. Taylor.

The Board wishes to express their appreciation for the valued services rendered to the Company by Mr. Campbell and the other former Directors.

The following new Directors were elected on August 6, 1969: Mr. P. J. Erasmus, Mr. H. E. Russell and Mr. S. S. Wilson.

On behalf of the Board, we wish to express our appreciation to our 5,500 employees in Canada and the U.S.A. for their loyalty and support during the year.



*Chairman of the Board and
Chief Executive Officer*

CANADIAN BREWERIES LIMITED

AND SUBSIDIARY COMPANIES

(thousands of dollars)

Financial years ended April 30

	1969	1968	1967(a)
	\$	\$	\$
<i>Operating:</i>			
Net sales - - - - -	387,171	376,921	384,493
Excise and sales taxes - - - - -	142,317	137,182	137,593
Net sales excluding taxes - - - - -	244,854	239,739	246,900
Operating costs - - - - -	215,444	206,774	215,229
Other income—net - - - - -	7,722	6,160	4,101
Interest expense - - - - -	2,810	3,178	3,646
Depreciation and amortization - - - - -	7,680	8,271	10,729
Earnings before taxes on income - - - - -	26,642	27,676	21,397
Taxes on income - - - - -	11,974	12,726	9,863
Extraordinary income net of tax - - - - -	921	841	433
Minority interest - - - - -	—	—	—
Net earnings - - - - -	15,589	15,791	11,967
—as a percent of sales- - - - -	4.0%	4.2%	3.1%
—as a percent of sales excluding taxes - - - - -	6.4%	6.6%	4.8%
Dividends paid—preference- - - - -	2,257	2,331	2,372
—common - - - - -	8,705	8,705	8,705
Net earnings per common share - - - - -	61¢	62¢	44¢
Dividends per common share - - - - -	40¢	40¢	40¢
<i>Financial:</i>			
Working Capital			
Cash and current investments - - - - -	49,750	36,505	29,748
Other current assets - - - - -	56,480	62,950	66,919
	106,230	99,455	96,667
Current liabilities - - - - -	29,081	31,834	29,974
	77,149	67,621	66,693
Ratio - - - - -	3.7	3.1	3.2
Total Assets			
Current assets - - - - -	106,230	99,455	96,667
Fixed assets—net - - - - -	98,893	110,230	113,612
Non-current investments - - - - -	61,168	62,122	65,331
Sundry properties and investments - - - - -	19,513	17,740	16,317
Intangibles - - - - -	—	—	2,346
Total assets - - - - -	285,804	289,547	294,273
Less: Current liabilities - - - - -	29,081	31,834	29,974
Funded debt - - - - -	49,300	54,752	65,700
Deferred taxes on income - - - - -	12,194	11,107	10,463
Minority interest - - - - -	—	—	—
Capital employed (shareholders' equity) - - - - -	195,229	191,854	188,136
% return on capital employed - - - - -	8.0%	8.2%	6.4%
Preference share capital - - - - -	45,296	47,015	48,373
Book value per common share - - - - -	\$6.89	\$6.66	\$6.42

(a) As of May 1, 1966, the carrying value of certain property, plant and equipment was reduced by a charge of \$22,373,000 to retained earnings (\$1.03 per common share).

TEN-YEAR FINANCIAL REVIEW

6 months period ended April 30 1966	Financial years ended October 31					
	1965	1964	1963	1962	1961	1960
\$	\$	\$	\$	\$	\$	\$
175,097	400,931	412,306	398,128	380,066	363,580	340,852
64,153	148,501	153,501	148,181	142,051	134,083	126,245
110,944	252,430	258,805	249,947	238,015	229,497	214,607
98,338	217,027	217,371	207,238	194,440	189,964	178,409
2,272	4,254	4,312	6,876	4,167	2,491	1,858
1,936	4,073	3,794	3,753	3,809	3,304	2,647
6,660	13,864	13,426	13,399	12,291	10,399	8,455
6,282	21,720	28,526	32,433	31,642	28,321	26,954
3,234	11,277	13,762	15,912	16,490	14,327	13,614
786	207	1,250	—	300	—	—
—	—	—	168	584	963	1,014
3,834	10,650	16,014	16,353	14,868	13,031	12,326
2.2%	2.7%	3.9%	4.1%	3.9%	3.6%	3.6%
3.5%	4.2%	6.2%	6.5%	6.2%	5.7%	5.7%
1,209	2,425	2,425	1,886	474	—	72
4,352	8,705	8,704	8,704	7,616	7,335	6,075
15¢	38¢	63¢	66¢	66¢	60¢	58¢
20¢	40¢	40¢	40¢	35¢	34¢	32¢
16,038	32,007	33,042	28,188	37,314	23,826	23,926
65,679	59,112	66,839	59,958	55,183	52,363	47,227
81,717	91,119	99,881	88,146	92,497	76,189	71,153
24,073	27,463	29,837	34,943	36,439	30,065	26,827
57,644	63,656	70,044	53,203	56,058	46,124	44,326
3.4	3.3	3.3	2.5	2.5	2.5	2.7
81,717	91,119	99,881	88,146	92,497	76,189	71,153
156,310	159,008	159,977	161,830	158,545	162,783	140,909
65,231	63,870	59,914	52,446	33,563	23,284	19,930
13,026	12,479	13,267	11,446	8,461	6,058	4,226
3,377	3,967	5,217	4,783	5,221	2,345	1,212
319,661	330,443	338,256	318,651	298,287	270,659	237,430
24,073	27,463	29,837	34,943	36,439	30,065	26,827
75,600	81,220	86,850	67,581	70,970	76,185	59,584
9,840	9,100	8,430	7,872	7,079	6,178	4,814
—	—	—	—	5,307	11,517	11,937
210,148	212,660	213,139	208,255	178,492	146,714	134,268
1.8%	5.0%	7.5%	7.9%	8.3%	8.9%	9.2%
49,201	49,984	49,996	50,000	25,000	—	—
\$7.40	\$7.48	\$7.50	\$7.27	\$7.05	\$6.74	\$6.39

Consolidated Balance Sheet

ASSETS

	1969	1968
Current Assets		
Cash and term deposits - - - - -	\$ 43,013,337	\$ 28,493,322
Investments at cost which approximates market value (Note 5) - -	6,737,214	8,012,039
Accounts receivable - - - - -	22,027,027	20,943,519
Inventories (Note 1) - - - - -	32,024,520	38,644,743
Prepaid expenses - - - - -	2,428,115	3,361,540
Total Current Assets - - - - -	106,230,213	99,455,163
Investments in other Companies—at cost		
Shares in and advances of \$7,056,822 to subsidiaries not consolidated (Note 1) - - - - -	7,057,823	7,107,823
Debentures and notes receivable - - - - -	4,405,000	4,505,000
Shares in Bass Charrington Limited - - - - -	19,873,677	19,873,677
Shares in and advances of \$7,436,032 to associated companies - -	29,831,476	30,635,454
	61,167,976	62,121,954
Property, Plant and Equipment—at cost		
Land - - - - -	6,561,021	9,550,631
Plant and equipment - - - - -	207,687,636	225,373,447
	214,248,657	234,924,078
Less accumulated depreciation - - - - -	115,355,735	124,693,860
	98,892,922	110,230,218
Sundry Properties and Investments—at cost less amounts written off -	19,512,864	17,739,203
Approved on behalf of the Board JOHN H. DEVLIN, <i>Director</i> PAUL J. ERASMUS, <i>Director</i>		
	\$285,803,975	\$289,546,538

et as at April 30, 1969

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
Current Liabilities		
Accounts payable and accrued items - - - - -	\$ 15,940,674	\$ 14,216,818
Income taxes - - - - -	4,293,430	8,972,340
Other taxes - - - - -	8,847,000	8,644,625
Total Current Liabilities - - - - -	29,081,104	31,833,783
Deferred Taxes on Income - - - - -	12,194,164	11,106,780
Funded Debt (Notes 2 and 5) - - - - -	49,300,000	54,752,000
Shareholders' Equity (Note 3)		
Capital Stock		
Authorized—		
905,915 preference shares with a par value of \$50 each issuable in series		
30,001,260 common shares without par value		
Issued—		
435,395 \$2.20 Cumulative Preference Shares Series A redeemable at \$53 per share and accrued dividends - - - - -	21,769,750	22,866,000
470,520 \$2.65 Cumulative Preference Shares Series B redeemable at \$52.50 per share and accrued dividends - - - - -	23,526,000	24,149,250
21,762,295 common shares - - - - -	78,356,529	78,356,529
Retained earnings - - - - -	71,576,428	66,482,196
	<u>195,228,707</u>	<u>191,853,975</u>
	<u><u>\$285,803,975</u></u>	<u><u>\$289,546,538</u></u>

CANADIAN BREWERIES LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings

	Year ended April 30	
	1969	1968
Net sales - - - - -	\$387,171,580	\$376,920,998
Less government excise and sales taxes - - - - -	142,316,894	137,181,915
	<u>244,854,686</u>	<u>239,739,083</u>
Cost of goods sold (Note 5) - - - - -	160,236,488	152,293,053
Gross profit - - - - -	<u>84,618,198</u>	<u>87,446,030</u>
Marketing, administrative and general expenses (Note 5) (Remuneration of directors and senior officers included \$536,717)	55,207,518	54,481,149
Operating profit before undernoted items - - - - -	<u>29,410,680</u>	<u>32,964,881</u>
OTHER INCOME		
Interest and dividends - - - - -	6,166,951	5,068,709
Profit on redemption of debentures - - - - -	1,259,141	802,428
Royalties - - - - -	296,066	288,695
	<u>7,722,158</u>	<u>6,159,832</u>
	<u>37,132,838</u>	<u>39,124,713</u>
OTHER DEDUCTIONS		
Interest on funded debt - - - - -	2,810,078	3,177,728
	<u>34,322,760</u>	<u>35,946,985</u>
Depreciation - - - - -	7,680,185	8,270,548
Earnings before taxes on income - - - - -	<u>26,642,575</u>	<u>27,676,437</u>
Taxes on income - - - - -	11,974,000	12,726,000
Net earnings before extraordinary items - - - - -	<u>14,668,575</u>	<u>14,950,437</u>
Extraordinary items net of applicable income taxes (Note 4) - -	920,896	841,196
Net earnings after extraordinary items - - - - -	<u>\$ 15,589,471</u>	<u>\$ 15,791,633</u>

CANADIAN BREWERIES LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Retained Earnings

	Year ended April 30	
	1969	1968
Balance at beginning of year - - - - -	\$ 66,482,196	\$ 61,406,512
Add: Net earnings for the year - - - - -	15,589,471	15,791,633
Contributed surplus arising on redemption of preference shares (Note 3) - - - - -	467,024	319,566
	82,538,691	77,517,711
Deduct: Dividends paid—preference - - - - -	2,257,345	2,330,597
—common - - - - -	8,704,918	8,704,918
	10,962,263	11,035,515
Balance at end of year - - - - -	\$ 71,576,428	\$ 66,482,196

Consolidated Statement of Source and Application of Working Capital

	Year ended April 30	
	1969	1968
Working capital at beginning of year - - - - -	\$ 67,621,380	\$ 66,693,508
<i>Source of working capital</i>		
Net earnings for the year - - - - -	15,589,471	15,791,633
Items not requiring an outlay of funds		
Depreciation - - - - -	7,680,185	8,270,548
Debenture discount - - - - -	—	2,345,629
Deferred taxes on income - - - - -	1,087,384	643,780
	24,357,040	27,051,590
Reduction of investments in other companies - - - - -	953,978	3,208,687
Sale of property, plant and equipment—net - - - - -	12,527,409	—
Contributed surplus arising on redemption of preference shares	467,024	319,566
	38,305,451	30,579,843
<i>Application of working capital</i>		
Investment in property, plant and equipment and sundry properties - - - - -	10,643,959	6,310,456
Funded debt reductions (Note 5) - - - - -	5,452,000	10,948,000
Preference shares redeemed - - - - -	1,719,500	1,358,000
Dividends paid to shareholders - - - - -	10,962,263	11,035,515
	28,777,722	29,651,971
Working capital increase during year - - - - -	9,527,729	927,872
Working capital at end of year - - - - -	\$ 77,149,109	\$ 67,621,380

Explanatory Notes to Financial Statements

AS AT APRIL 30, 1969

1. Principles of Consolidation and Accounting

The consolidated financial statements include the accounts of the Company and all subsidiaries with the exception of the accounts of two companies which are not significant to the consolidation; the audited accounts of one of these companies, which is located overseas, are not available and the operations of the other are not comparable with the companies comprising the consolidation. The investment in these unconsolidated subsidiaries is carried at cost less estimated net losses since acquisition.

The accounts of United Kingdom subsidiaries are included on the following bases: investments at the rate of exchange prevailing at the time of acquisition; and current assets and current liabilities at the rate prevailing at April 30, 1969. The accounts of United States subsidiaries are included on the basis of one United States dollar equalling one Canadian dollar.

Inventories are summarized as follows, according to bases of valuation:

At the lower of cost and net realizable value

Beer and ale finished and in process	- - - - -	\$16,883,508
Materials and supplies	- - - - -	4,897,309

At estimated value which is lower than new replacement cost

Containers	- - - - -	10,243,703
		<u>\$32,024,520</u>

2. Funded Debt

Sinking fund debentures authorized by trust indenture dated January 15, 1954 and indentures supplemental thereto

<i>Payable in either Canadian or U.S. funds at par, at the option of the holder</i>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Series A 4 ³ / ₄ %, maturing January 15, 1979		
Annual sinking fund payments required \$600,000	\$15,000,000	\$ 4,685,500
Series B 4 ¹ / ₄ %, maturing January 15, 1981		
Annual sinking fund payments required \$800,000	20,000,000	7,106,000
<i>Payable in Canadian funds</i>		
Series C 5%, maturing January 15, 1983		
Annual sinking fund payments required \$600,000	15,000,000	6,870,500
Series D 5 ¹ / ₂ %, maturing April 1, 1986		
Annual sinking fund payments required \$800,000	20,000,000	12,507,000
Series E 5 ¹ / ₂ %, maturing April 1, 1989		
Annual sinking fund payments required \$1,000,000	25,000,000	18,131,000

The funded debt is redeemable at premiums varying according to date of redemption, except for Series D and E which may be redeemed by call only through the operation of the sinking funds until April 1, 1973 and 1976 respectively. They may not be redeemed until these dates by the application, directly or indirectly, of borrowed funds raised through a refunding operation.

TOTAL OUTSTANDING	- - - - -	<u>\$49,300,000</u>
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Sinking fund requirements payable each year for the next five years are:

1970	Nil	1971	\$ 638,000	1972	\$2,556,000
1973	\$3,706,000	1974	\$3,800,000		

EXPLANATORY NOTES TO FINANCIAL STATEMENTS (*Continued*)

3. Shareholders' Equity

Under the redemption provisions attaching to the Preference Shares, 21,925 Series A and 12,465 Series B shares were purchased for cancellation during the year. Purchases to date at prices below par have resulted in contributed surplus of \$1,085,599.

Under the Company's Stock Option Plan, options may be granted on a maximum of 500,000 common shares to key executives of the Company and its subsidiaries. As at April 30, 1969 there were outstanding options on 124,000 shares, exercisable up to November 11, 1973 at \$9.74 per share in Canada and \$9.15 U.S. per share in the United States.

4. Extraordinary Items

	1969	1968
Profit (loss) after applicable income taxes on sale of		
Malting assets - - - - -	\$4,609,420	—
O'Keefe Centre - - - - -	(3,506,432)	—
Other assets - - - - -	(283,096)	—
	819,892	
Closure costs of discontinued operations after applicable income taxes - - - - -	(572,886)	\$ (166,000)
Realized portion of profit on sale of investment in Canadian Equity & Development Company Limited - - - - -	673,890	3,352,825
Write-off of debenture discount - - - - -	—	(2,345,629)
	<u>\$ 920,896</u>	<u>\$ 841,196</u>

5. Restatement of 1968 Figures for Comparative Purposes

Balance Sheet

At April 30, 1969 all debentures purchased for redemption, including \$8,300,000 in advance of sinking fund requirements, have been deducted from funded debt outstanding. Accordingly debentures amounting to \$2,848,000 which were included in current investments at April 30, 1968 have been reclassified.

Statement of Earnings

To conform with current account classifications an amount of \$2,087,523 was reclassified from cost of goods sold to marketing, administrative and general expenses, while extraordinary items of \$841,196 (note 4) were segregated from other income, general expenses and taxes on income.

AUDITORS' REPORT

Under Laws of the Province of Ontario

THE SHAREHOLDERS, CANADIAN BREWERIES LIMITED.

We have examined the consolidated balance sheet of Canadian Breweries Limited and subsidiary companies as at April 30, 1969 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 30, 1969, the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
June 20, 1969

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

Financial Report

Analysis of Net Earnings

Year Ended April 30

	\$000		%	
	1969	1968	1969	1968
Brewing Operations—Canada - - - - -	6,220	7,671	39.9	48.6
→ Malting Operations—Canada - - - - -	487*	709	3.1	4.5
Total Operations—Canada - - - - -	6,707	8,380	43.0	53.1
Brewing Operations—U.S.A. - - - - -	2,734	2,263	17.5	14.3
Total Operations - - - - -	9,441	10,643	60.5	67.4
Investment and Other Income - - - - -	5,227	4,307	33.6	27.3
Net Earnings Before Extraordinary Items - - - - -	14,668	14,950	94.1	94.7
Extraordinary Items - - - - -	921	841	5.9	5.3
Net Earnings - - - - -	15,589	15,791	100.0	100.0

*Malting plants sold during the year.

Working Capital

During the year ended April 30, 1969, working capital increased by \$9,528,000 to \$77,149,000 (1968—\$67,621,000).

Funded Debt

At April 30, 1969, non-current funded debt was \$49,300,000 or \$5,452,000 less than \$54,752,000 balance at the same date in 1968. In prior years annual sinking fund requirements only were applied as a reduction of funded debt; debentures purchased and held for redemption by your Company were included with other investments.

During the year under review this policy was altered and debentures purchased to April 30, 1969, have been applied to reduce funded debt outstanding. Comparative figures of “funded debt” and “other investments” used throughout this report for prior years have been adjusted to give effect to this change.

Funded debt during the year under review was reduced by \$5,852,000. This reduction included \$400,000 of debentures purchased in accordance with sinking fund requirements and \$5,452,000 purchased in advance of actual debenture redemption requirements.

Analysis of Investments and Other Assets

April 30/69

	Cost	After Tax Return	Yield
	\$000	\$000	%
<i>Current Investments:</i>			
Cash and Term Deposits - - - - -	43,013	1,183	2.8(1)
Investments - - - - -	6,737	248	3.7
	<u>49,750</u>	<u>1,431</u>	<u>2.9</u>
<i>Investment in Other Companies:</i>			
Subsidiaries not Consolidated:			
Beamish and Crawford Ltd. (Ireland) - - - - -	9,217		
Less amount written off - - - - -	2,600		
	<u>6,617</u>	—	—
Other - - - - -	441	10	2.3
	<u>7,058</u>	<u>10</u>	<u>.1</u>
Debentures and Notes Receivable - - - - -	4,405	73	1.7
Shares in Bass Charrington Ltd. - - - - -	19,874	1,014	5.1
Associated Companies:			
Hare Place Investments Ltd. (U.K.) (2) - - - - -	21,454	812	3.8
Brewers' Warehousing Co. Ltd. (Ontario) - - - - -	6,980	279	4.0
Other - - - - -	1,397	11	.8
	<u>29,831</u>	<u>1,102</u>	<u>3.7</u>
Total Investment in Other Companies - - - - -	<u>61,168</u>	<u>2,199</u>	<u>3.6</u>
<i>Sundry Properties and Investments:</i>			
Idle Former Breweries - - - - -	6,347		
Less amounts written off - - - - -	2,471		
	<u>3,876</u>	—	—
Other Real Estate - - - - -	3,552	—	—
Mortgages Receivable - - - - -	7,348	200	2.7
Long-Term Receivables - - - - -	4,588	—	—
Other Investments - - - - -	149	—	—
	<u>19,513</u>	<u>200</u>	<u>1.0</u>
Total Investments and Other Assets - - - - -	<u>130,431</u>	3,830	2.9
Profit on Redemption of Debentures - - - - -		1,259	
Royalties - - - - -		138	
Total Other Income Net of Applicable Income Taxes - - -		<u>5,227</u>	

Notes on Investments and Other Assets are on page 18

Notes on Investments and Other Assets:

(1) *Cash and Term Deposits:* The yield is based on the amount of Cash and Term Deposits as at April 30, 1969.

(2) *Hare Place Investments Limited:*

This investment, together with the investments in Bass Charrington Limited and Beamish and Crawford Limited, is held through the Company's wholly-owned United Kingdom subsidiary, Canadian Breweries (Great Britain) Limited.

Hare Place Investments Limited was formed in 1961 to acquire holdings in a number of brewery companies in the United Kingdom. In 1963, Charrington United Breweries Limited joined in this investment.

When Bass, Mitchells and Butlers Limited and Charrington United Breweries Limited merged to form Bass Charrington Limited, Hare Place Investments Limited had served its purpose. Further, a number of the investments originally made by Hare Place had been acquired by Charrington United Breweries Limited and other major brewery companies as a result of take-overs, and substantial liquid funds became available in Hare Place.

The current status is that Canadian Breweries (Great Britain) Limited owns approximately 46 percent of the equity and 36.39 percent of the shares in Hare Place Investments Limited.

The main assets of Hare Place Investments Limited are cash of some £6,000,000 and investments in other breweries in the books at £10,500,000 (current market value approximately £8,900,000). The cash in Hare Place Investments Limited is currently on loan to Bass Charrington Limited.

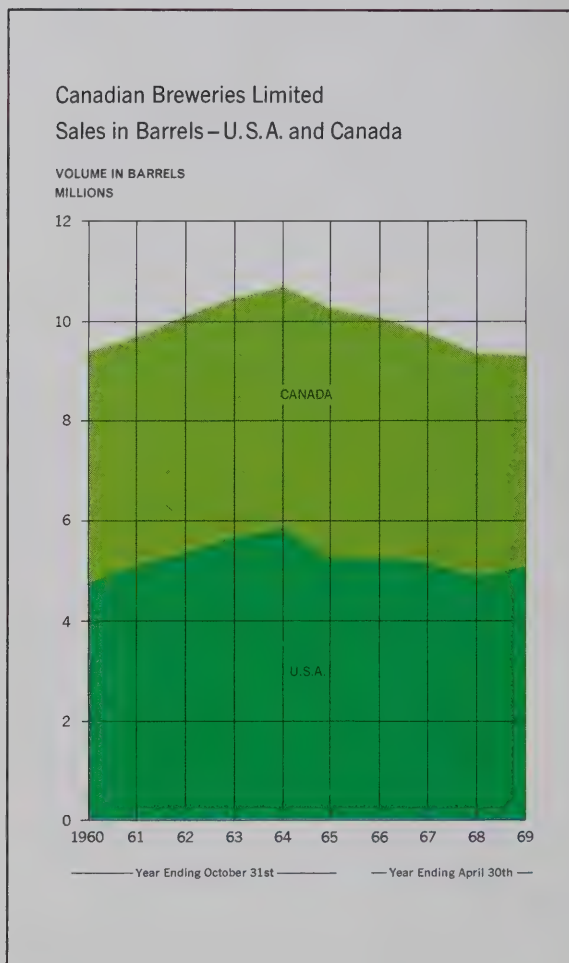
Interest

Interest paid during the year was \$2,810,000 compared to \$3,178,000 paid in 1968, a reduction of \$368,000. Interest paid pertains only to funded debt.

Income Taxes

Income taxes charged against earnings for the year ended April 30, 1969, were \$11,974,000 and represent 44.9 percent of earnings before tax. This compares to \$12,726,000 taxes charged against earnings in 1968, representing 46.0 percent of earnings before tax in that year. The decrease in percentage, despite the 3 percent surtax imposed effective January 1, 1968, is mainly due to the higher proportion of investment income to income from brewing and malting operations during 1969.

A 10-year historical review of financial highlights is shown on pages 8 and 9.



Executive Offices: 79 ST. CLAIR AVENUE EAST, TORONTO 7, CANADA

Auditors: TOUCHE, ROSS, BAILEY & SMART

Bankers: THE ROYAL BANK OF CANADA
CANADIAN IMPERIAL BANK OF COMMERCE
CENTRAL NATIONAL BANK OF CLEVELAND

Registrars: IN CANADA
MONTREAL TRUST COMPANY

IN THE UNITED STATES
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Transfer Agents: IN CANADA
NATIONAL TRUST COMPANY, LIMITED;
Ontario, Quebec, Manitoba, Alberta and British Columbia
CANADA PERMANENT TRUST COMPANY;
New Brunswick and Nova Scotia
THE CANADA TRUST COMPANY;
Saskatchewan

IN THE UNITED STATES
THE CHASE MANHATTAN BANK

